



## **Minutes City Council's Finance & Diversity Issues Committee November 12, 2003**

**Minutes of the City Council's Finance and Diversity Issue Committee held on November 12, 2003, 3:00 p.m., at the City Council Conference Room, 3<sup>rd</sup> Floor - Tempe City Hall, 31 E. 5<sup>th</sup> Street, Tempe, Arizona.**

**Committee Members Present:**

Councilmember Pam Goronkin - Chair  
Councilmember Len Copple

**City Staff Present:**

City Clerk Kathy Matz  
Financial Services Manager Jerry Hart  
Budget Director Cecilia Robles  
Internal Auditor Keith Smith  
Internal Audit Manager Ken Jones

**Others Present:**

Gerald Woodward, Industrial Development Authority (IDA) Boardmember  
Kurt Freund, RBC Dain Rauscher, Inc.  
Shawn Giralli, RBC Dain Rauscher, Inc.  
Eric Emmert, Tempe Chamber of Commerce

**Councilmember Pam Goronkin** called the meeting to order at 3:00 p.m.

**Agenda Item 2 – “6320” Financing**

**Kurt Freund** distributed a handout and summarized regarding the 6320 financing tool:

1. Flagstaff is using 6320 and has started an RFP process for a downtown hotel/conference center.
2. 63-20 refers to a revenue ruling from the Internal Revenue Service.
3. Tempe Municipal Property Corporation is a 6320 organization.
4. The tool can be used by cities to finance almost anything.

**Shawn Giralli** summarized regarding Flagstaff's RFP process, use of 6320 mechanism.

There was **general discussion** regarding: restrictions on use, history of 6320, use for hotels/conference centers, public-owned entities vs. public/private partnerships, legal issues, potential uses for Tempe, how it would work, associated risks/benefits, associated city liability, bond rating issues, Flagstaff's use of 6320/RFP process, 9/11 effect on hotel financing, developer/manager issues, status of Tempe's feasibility study for downtown/Lake hotel, and affordability.

### **Agenda Item 1 – Update on External/Internal Audits**

**Keith Smith** summarized regarding Internal Audits three ongoing projects:

1. Analysis of contracts with consultants/contractors/professionals
2. Review/Audit of all City contracts, with priority given to contracts where City is owed revenue
3. Central database for all city contracts

There was **general discussion** regarding: factors being analyzed, responsibility for enforcing/managing contracts, and collection of revenues due to City.

**CONSENSUS** – The Committee would like another update in the first quarter of 2004.

**Jerry Hart** gave an update regarding the IDA:

1. Staff last week received a set of financial statements from the IDA. The IDA complied with providing the requested Treasurer's Reports, Statement of Activity, and a summary of major revenues (interest) and expenses (scholarships).
2. The records are a compilation, however, not anything like an audit, which would ensure that the financial statements are not materially misstated.

**IDA Boardmember Gerald Woodward** summarized his experience on the IDA:

1. A formal financial report has never been received at IDA meetings, although such reports have been requested.
2. He started asking for Financial Reports in 1990, has never received one.
3. He has asked that a discussion of the Financial Reports be placed on the agenda for the next IDA Board meeting.
4. He is prepared to go to the Attorney General if the requested information is not provided.

There was **general discussion** regarding: lack of detail in IDA records sent to staff, possible formal audit of IDA, IDA Boardmembers' fiduciary responsibilities, IDA meetings/agendas, Council requests for information from IDA, IDA finances, Mr. Woodward's requests for information of IDA Chair/Treasurer/attorney, IDA procedures, Mr. Woodward's correspondence with IDA Chair/Treasurer, IDA member terms, and legal advice needed on Council options, IDA Board options, redactions on checks submitted with IDA records, IDA attorney issues, how Council should proceed.

**Councilmember Goronkin** requested legal advice from the City Attorney regarding: What, if anything, the Council can regarding the IDA? What are Council's options regarding IDA Boardmembers and their terms? What are Council's options for re-appointment/possible revocation of terms? Can Council call for a full audit of the IDA? She also requested the City Clerk to provide the Committee information regarding the length of current IDA Boardmembers terms and upcoming IDA re-appointments.

Councilmember Copple restated his request for all IDA financial records from the past five years. Regarding the records that IDA has provided, he had specific questions about:

1. November 2002 check to Greenberg-Taurig for public records documents
2. September 30 check/statement re: website development
3. No note of expenditure for attorneys fees in the last two years.
4. No note of income regarding Friendship Village and ASU Foundation bond issues – nothing noted regarding fees charged or revenues made from sale of bonds.

He also asked what Council can do regarding the IDA that hasn't already been done.

**CONSENSUS** – The Committee asked staff for an update at next month's Committee meeting, including answers to legal research issues, information on Boardmembers/appointments, and an update on what happens with Mr. Woodward's requests for information and public discussion of financial statements/issues.

**Agenda Item 3 – Inventory of City-Owned Property/Disposition of Sale Proceeds**

**Jerry Hart** distributed a handout summarizing staff's work on the inventory to date:

1. The inventory is based on the County Assessor's list of all city-owned property.
2. Staff is working to get descriptions of what's on all of the parcels.

**Mr. Hart** also distributed a list of options/recommendations regarding proceeds from upcoming sales of city land and a 3-year history of the City's Fund Balances. Regarding the sale of the 27 acres at Town Lake, he recommended putting \$5M of the proceeds into the Rio Salado Reserve Fund, and putting the remaining \$4M toward cash financing, instead of bond financing, for Hayden Ferry South.

There was **general discussion** regarding: Rio Salado Reserve Fund, powerline undergrounding costs, draw-down of Rainy Day Reserve Fund, details of various fund balances, future Council consideration of reserve funds, sports field discussion at 11/13 Council meeting, use of proceeds from sale of 27 acres, RFP responses/negotiations, and bonding options.

**CONSENSUS** - Staff should put this issue on an upcoming IRS agenda for discussion by the full Council; should include information regarding funding "gaps" for various projects.

**Meeting adjourned at 5:15 p.m.**

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Kathy L. Matz  
City Clerk